

Summary of Request:

The Texas Internal Audit Act requires a state agency that receives over \$10 million or more in revenue and has more than 100 employees must comply with the Texas Government Code, Section 2102.005 and conduct a program of internal auditing that includes an annual internal audit plan and report. Attached is a report on the outcomes of the annual internal audit conducted by Jaye Stepp, CPA.

Historical Perspective:

The Board voted at the October, 2017 board meeting to approve the Internal Audit Plan for fiscal year 2018 which included an audit of licensing processes and controls, a quality assurance peer review and a follow up to previous audit recommendations.

Pros:

The Board of Nursing will be in compliance with the Texas Internal Audit Act.

Cons:

None.

Staff Recommendation:

Board Action: Move to accept the annual internal audit report as prepared for fiscal year 2018.



TEXAS BOARD OF NURSING

Fiscal Year 2018

INTERNAL AUDIT

ANNUAL REPORT

Prepared by:
E. J. Stepp, CPA
Internal Auditor
Austin, Texas

Texas Board of Nursing (507)
Internal Audit Annual Report – FY-2018

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E. J. STEPP, CPA

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October 25, 2018

Executive Committee Members
Texas Board of Nursing

Internal Audit is pleased to submit the Internal Audit Annual Report of the Texas Board of Nursing for the year ended August 31, 2018 in accordance with *Texas Government Code, Section 2102.009* and specific guidelines established by the Texas State Auditor's Office.

This report provides information on the assurance services, consulting services, and other activities of the internal audit function at the Board of Nursing during the 2018 fiscal year.

Respectfully,

Jaye Stepp

E. Jaye Stepp, CPA, CIA, CGAP, CRMA
Internal Auditor for Texas Board of Nursing
Austin, Texas

EC: Governor's Office of Budget, Planning, and Policy
State Auditor's Office
Legislative Budget Board
Sunset Advisory Commission

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The Texas Internal Auditing Act requires agencies to submit an internal audit annual report each year to the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor's Office (SAO), and the agency's governing board and chief executives. The purpose of the internal audit annual report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the internal audit annual report assists oversight agencies in their planning and coordination efforts. In accordance with Texas Government Code §2102.009, the annual report for FY-2018 is due by November 1, 2018. The following information is reported in the format prescribed by the SAO.

I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Website

TGC 2102.015 requires state agencies to post certain information on their Internet websites. At the time and in the manner provided by the state auditor, a state agency shall post the following information on its Internet website:

- (1) The approved internal audit plan, as required by TGC §2102.008.
- (2) The internal audit annual report required by TGC §2102.009

The above reports are considered to be approved if they are approved by the agency's governing board.

TGC 2102.015 also requires entities to update the posting described above to include the following information on the website:

- A 'detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report.'
- A 'summary of the action taken by the agency to address concerns, if any, that are raised by the audit plan or annual report.'

BON complies by posting the approved Internal Audit Plan and Annual Internal Audit Report on the BON website within 30 days after review and approval by the Board. No additional weaknesses or concerns resulting from the audit plan or annual report were identified for posting on the BON's Internet website. The following link is provided to the reports: http://www.bon.texas.gov/about_publications.asp

The Licensing Audit conducted in 2018 resulted in no recommendations. Internal controls over processes were found to be effective and we had no findings from our tests of details.

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II. Internal Audit Plan for Fiscal Year 2018

The fiscal year 2018 Internal Audit Plan was completed as planned, with no deviation from the audit plan as submitted in the FY-2017 Annual Internal Audit Report. Audit reports presented to the Board and provided to the oversight agencies upon approval included:

1. A Licensing Audit (Report #2018-1) was performed on the processes and controls around licensing activities at BON. The area did not exhibit high risks in our annual risk assessment process, but it was the only area that had never been audited or reviewed by the internal auditor. The audit found that internal controls around Licensing are followed and are effective; our tests of details found no issues. As such, there were no recommendations resulting from this audit.

2. An external Quality Assurance Review (QAR or peer review) of the internal audit activity at the Board of Nursing, as required by IIA *Standards*, was performed in March of 2018, resulting in a rating of “Pass/Generally Conforms”, which is the highest of three possible ratings. The next peer review will be due in FY-2021.

3. Follow up on prior audit recommendations implementation status. All recommendations are implemented or in process of implementation.

III. Consulting Services and Non-Audit Services Completed

There were no consulting engagements, as defined in *The International Standards for the Professional Practice of Internal Auditing*, or non-audit services, as defined in *Government Auditing Standards, 2011 Revision*, Sections 3.33 – 3.58, performed in FY-2018 at the Board of Nursing.

IV. External Quality Assurance Review (Peer Review)

The Texas Board of Nursing had an external Quality Assurance Review in FY-2018, in accordance with professional standards and the Internal Auditing Act. The External Quality Assurance Review was performed by a qualified, independent internal audit consultant and was completed in March of 2018. The overall opinion of ‘Pass/Generally Conforms’, which is the highest of three possible ratings, was reported to the Board at their July 2018 meeting.

The agency’s next external Quality Assurance Review will be scheduled in FY-2021.

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V. Internal Audit Plan for Fiscal Year 2019

The fiscal year 2019 Internal Audit Plan is being presented at the October 2018 Board meeting for approval. The areas of concern identified in the annual risk assessment update, and included in the proposed internal audit plan are:

1. The Internal Auditing Act, §2102.005, requires periodic audits of the agency’s major systems and controls, including accounting systems and controls. We previously audited the Finance area in 2015, with a scope limited to contracts. The agency was also audited by the Office of the State Auditor in fiscal year 2016 on financial processes. A follow-up audit of the Finance and Accounting Division’s processes and controls over purchasing, financial reporting activities and contracts is proposed for this fiscal year. These three areas will be audited separately, with some overlap. Depending on budget and time, these audits will be scheduled and reported on over the next two years.
2. Follow up on prior audit recommendations implementation status, if any.

The available time for all internal audit activities is approximately 192 hours. My estimate of how these hours translate into specific activities follows:

- Risk Assessment Update & Annual Audit Plan 15 hrs.
- Other Required Reports – Annual, QAIP, ARTS 16 hrs.
- Engagement Planning, Performance, and Reporting 150 hrs.
- Admin & Quality Control Procedures 7 hrs.
- Board Meetings 4 hrs.

The risk footprint, which is included as an exhibit in the annual Internal Audit Plan, shows any additional audit risks ranked as “high” that are not included in the fiscal year 2019 Internal Audit Plan. The risk assessment methodology consists of an annual meeting with or survey of management to update the risk assessment footprint and control tables. Input is also solicited from the State Auditor’s Office and Board liaisons. The risk footprint is updated and used to guide the selection of specific audit areas for the current year. The risk assessment methodology is described in greater detail in the Internal Audit Plan document that is provided to management, the Board, oversight agencies, and posted on the agency website.

VI. External Audit Services Procured in Fiscal Year 2018

External audit services procured in fiscal year 2018 consisted of the internal audit function contract with E. J. Stepp, CPA, and a contract for a program audit of the Peer Assistance Program with the Citizens Advocacy Center.

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VII. Reporting Suspected Fraud and Abuse

In accordance with the fraud reporting requirements of Section 7.09, page IX-39, the General Appropriations Act (84th Legislature), and Texas Government Code, Section 321.022, the Texas Board of Nursing has posted information on how to report suspected fraud, waste or abuse of state funds on their website. This link will take you to the fraud reporting information: http://www.bon.texas.gov/about_rpt-fraud.asp

The BON also includes information on the prevention and detection of fraud in their Fraud Policy, available in the human resource manual which is distributed to all staff.

TGC 321.022, Coordination of Investigations, is also addressed in BON's Fraud Policy, which states:

“If the Executive Director determines that: (a) the findings warrant referral to outside enforcement and/or prosecutorial agencies, of (b) money received from the state by the BON may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operations of the BON, then Mark Majek or the Executive Director, where appropriate, will contact such agencies, including the State Auditor’s Office, and fully cooperate with them.”

This concludes the Internal Audit Annual Report for the Board of Nursing for FY-2018.

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Texas Board of Nursing

Kathy Shipp, MSN, RN, FNP, Board President
Francis Stokes, BA, Board Liaison for Internal Audit

Katherine Thomas, MN, RN, FAAN, Executive Director
Mark Majek, Director of Operations

Oversight Agencies

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State Auditor's Office
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